

Pain of Nigerian bank collapse could reach U.S.

Written by GIN

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(GIN) - Five banks that supply 40 percent of Nigeria's bank credit, but were used as a private candy store, doling out loans without sufficient collateral, collapsed under the weight of unsecured debt and had to be bailed out by government last week. Regulators said bad loans came to a total of 1.14 trillion naira (\$7.6 billion).

Afribank, Intercontinental Bank, Finbank, Oceanic Bank and Union Bank shared in the \$2.6 billion bailout - unheard of in Nigeria until last week's development.

The U.S.-based Ex-Im Bank, the official credit agency of the U.S. federal government, also had exposure in the Nigerian system. Last June it more than doubled the size of its credit line to \$1 billion to meet growing demand from member banks.

Deals by Nigerian senior banking executives are now the subject of intense scrutiny. Last week, 16 former executives pleaded not guilty to charges of fraud, giving loans to fake companies, lending to businesses they had a personal interest in and conspiring with stockbrokers to drive up share prices.

The former chief executive of Intercontinental bank is still missing. He is on the run and wanted by Interpol.

Among those that received hefty loans before the banks went bust are dozens of small and mid-size oil companies, Rockson Engineering and Arik Air, and the controller of MTS Wireless telecommunications. Some politicians also made the A-list of bank debtors.

Newly installed central-bank governor Lamido Sanusi offered the near-bankrupt banks to the highest bidder. "There is no law that stops foreign banks owning banks in Nigeria 100%... We won't stop foreign banks buying Nigerian banks," Sanusi said, answering questions from delegates at a presentation in London.